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Utilising loyalty in long-term customer relationships and management:

a case study of Nordea Securities Services

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Utilising loyalty in long-term customer relationships and management: a case study of Nordea Securities Services

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**Utilising loyalty in long-term customer relationships and management:
a case study of Nordea Securities Services**

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The purpose of this Bachelor's thesis is to map out Nordea Bank's Securities Services' client relationship management in Sub-custody and to enhance it by studying the relationship management from the perspective of different theories. The key element is to clarify how existing customers can be better taken care of and how to improve the relationship through different theories and personal experiences.

The research approach adopted in the study is that of a single case study based on personal experiences and observations. The data collected through experience and perception is utilised together with the theoretical foundation for the research.

The study consists of five parts: introduction, theoretical background, research approach, empirical study and conclusions.

The theoretical approach is seen through customer relationship management and relationship management and also through various theories of customer loyalty and a SWOT analysis.

Through this study it should be possible to strengthen existing client relationships by proving that the retention of existing customers is much more cost efficient than attaining new ones.

Nordea Securities Services provides custody services for local and foreign investors dealing with Nordic, Baltic or global securities. The sub-custody service includes settlement, reporting, corporate actions (stock dividends, stock splits etc.) and a one point of entry customer service.

This thesis was initiated together with Nordea.

Keywords customer loyalty, customer satisfaction, customer relationship management, relationship management, customer retention

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Tämän opinnäytetyön tarkoituksena on kohteena olevan pohjoismaisen pankkikonserni Nordean Securities Servicesin (suom. Arvopaperipalvelut) asiakkuushallinnan tarkastelu ja eheyttäminen erilaisten teorioiden avulla. Tärkeimpänä elementtinä on löytää keinot, joilla olemassa olevista asiakkuuksista voidaan pitää paremmin huolta ja kuinka suhdetta voidaan tervehdyttää erilaisten teorioiden ja henkilökohtaisten kokemusten kautta.

Tutkimusmenetelmänä käytetään tapaustutkimusta, joka perustuu henkilökohtaisiin kokemuksiin ja havaintoihin. Opinnäytetyön tutkimusmateriaali pohjautuu kokemuksiin ja käsityksiin, joita myös hyödynnetään yhdessä teoreettisen pohjan kanssa.

Opinnäytetyö koostuu viidestä osuudesta: tutkimuskohteen esittely, teoreettinen osuus, tutkimusmenetelmät, empiria ja yhteenveto.

Opinnäytetyön teoreettisessa osuudessa käydään läpi asiakkuushallintaa sekä monia asiakasuskollisuuteen liittyviä teorioita ja myös SWOT-analyysin avulla.

Tämän työn avulla tulisi olla mahdollista vahvistaa ja täten tehostaa olemassa olevia asiakkuussuhteita.

Nordea Securities Services tarjoaa arvopapereiden säilytyspalveluita suurilla ulkomaisille institutionaalisille asiakkaiden arvopapereille pohjoismaissa ja Baltiassa. Säilytyspalvelut pitää sisällään arvopapereiden kaupanselvityksen, raportoinnin, yhtiötapahtumien hoidon (osingon- ja koronmaksut, osakeannit jne.) ja keskitetyn asiakaspalvelun.

Nordea oli mukana käynnistämässä tätä opinnäytetyötä.

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1 Introduction

The banking industry has gone through major changes since the economic crisis began in 2009. Therefore customer retention is a key driver in customer satisfaction and customer loyalty. By valuing existing customers and emphasising customer retention, a company sets a good example for future clients as well: customer loyalty is one of the most important concerns that businesses face (Linton 1994, 2).

A notable part is that only recently the research in strategy and marketing has recognised the massive impact customer loyalty has on long-term success. Conventional marketing paradigms more or less consider the relationship side to be associated with core marketing theories rather than being a strong key element. (Hougaard & Bjerre 2003, 108)

If a company cannot retain their customers' loyalty, they are not able to guarantee repeat business and thus the long-term relationship is at risk. (Linton 1994, 2) Financial institutions have an opportunity to build relationships for a lifetime by analysing their customers' changing needs and adapting to them. (Linton 1994, 10)

Relationships are central for business people. Thus marketing and business are properties of society as relationships between customers and suppliers are the basis for all marketing. Relationships, networks and interaction have been at the core of business since the beginning of the era. Marketing at its most simple is about understanding customer needs and wants. (Gummesson 1999, 6)

1.1 Choice of the research context

Nordea Bank has been part of the author's life for a long time especially through family history. When an opportunity came to work for Nordea Securities Services as a summer trainee it was greatly appreciated. The trainee position proceeded in to working as a Marketing Manager for a fixed period and also during a colleague's maternity leave.

The possibility to conduct a thesis for Nordea came into discussion and was a logical following to the over two years long work period.

1.1.1 Nordea Bank in brief

Nordea Bank is a leading bank corporation in Scandinavia within corporate merchant banking and both retail and private banking. The bank is also the leading provider of life and pensions products in the Nordic countries. (Nordea facts and figures 2014)

Nordea has around 11 million customers and approximately 800 branch offices with over 29,000 employees, has a leading net banking position and a total market capitalisation of EUR 38.9 billion, total assets of EUR 669.3 billion (Q4 2014 results). Nordea is the largest financial group in Northern Europe. (Nordea facts and figures 2014)

Nordea Bank's Securities Services provides bespoke custody services for local and foreign investors dealing with Nordic, Baltic or global securities. It is also the leading services provider in the region. (Nordea Securities Services 2013)

1.2 Purpose of the thesis with delimitation

The purpose of this thesis is to map out Nordea Bank's client relationship management in Securities Services and to enhance it by observing the relationship management through different theories. The key element is to find out how existing customers can be taken care of and how to improve the relationship through different theories.

The study focuses on the existing customers of Nordea Securities Services. Due to delimitation, the lost and future customers have been limited from the study as the focus area is the existing ones. The study will have a benefit in obtaining potential customers with the help of studying different theories.

1.3 Research problem

The purpose is to map out Nordea Bank's client relationship management in Sub-custody and to enhance it by observing the relationship management through different theories. The key element is to find out how existing customers can be taken care of better and how to improve the relationship through different theories and personal experiences.

Through this study it should be possible to strengthen and therefore reinforce the existing client relationships by proving that keeping existing customers is much more cost efficient than attaining new ones. Even though the number of customers is not vast, however they are large institutional investors and all together form a considerable amount in all four Nordic markets.

1.4 Research and theoretical approach

The research approach to be used in this study is through a single case study based on personal experiences and observations. The data collected through experience and perception is

utilised to build a theoretical foundation for the research. This will provide guidance on the strategies.

The theoretical approach is seen through customer relationship management (CRM) and relationship management (RM) and also through various theories of customer loyalty including the leaky bucket theory and the ladder of loyalty.

1.5 Structure of the study

The study consists of five key parts: introduction, theoretical background, empirical study, research approach, and conclusions. In the introduction part the study is introduced with scope and purpose of the study, and the subject is explained in detail. The framework outlines the study and gives it a structure. In the second part different theories are discussed and in the fourth part they are put into practice. The fifth part lists key findings and gives the thesis a closure with suggestions for further study (Figure 1).

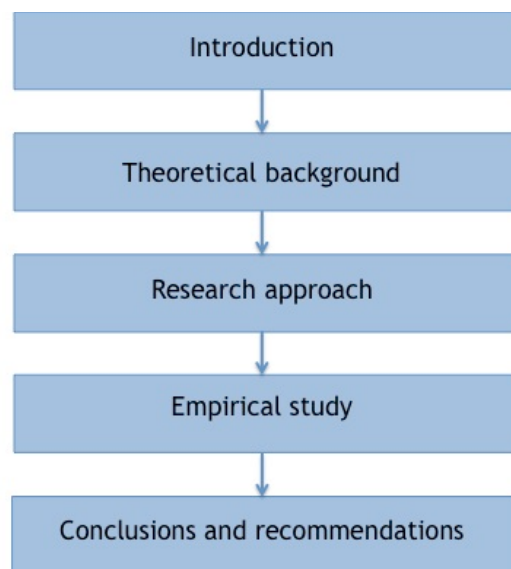


Figure 1: Structure of the thesis

2 Theoretical background

In the theoretical background, the principles of customer relationship management, relationship management, customer loyalty, customer retention and employee satisfaction and other theories of loyalty are explained in order to build a foundation for the thesis. The theories and principles are utilised throughout the thesis.

2.1 Customer relationship management

“The purpose of a business is to create and keep a customer”, stated Ted Levitt, an economist and professor for Harvard Business School, in 1983. (Ford, Gadde, Håkansson & Snehota 2003, 63)

Customer relationship management (CRM) makes use of the detailed information about individual customers to maximise the customer loyalty. The ability to offer real-time and customised service with individual customer information is also a key element. (Kotler & Keller 2006, 152-153)

CRM is typically related with the use of IT in managing relationships such as data warehousing, customer service systems, e-commerce etc. CRM pursues systematically to resolve problems associated with collection and interpretation of customer data. (Egan 2001, 197) Furthermore CRM is a major driver of company profitability due to the value of the customer base. (Kotler & Keller 2006, 152-153)

2.2 Relationship management

General properties of relationships, networks and interaction show that there are three types of connections that together form a business-to-business relationship between buyers and sellers: activity links, resource ties and actor bonds. (Gummesson 1999, 14)

First, activity links embrace activities that are technical, administrative or marketing kind. Second, resource ties contain exchanging and sharing resources that are both tangible and intangible. Third, people who co-operate and have influence on each other and form opinions about one another create actor bonds. (Gummesson 1999, 14) The interaction can also be seen as a hierarchy where the relationships form the partner base and the organisation's total network. (Gummesson 1999, 15)

A customer relationship that is much more than a single transaction of a product, the result itself becomes a one element that is continuously developing as a service offering. What is beyond this offering is the ability to manage additional elements of the offering better than competitors - this is what creates value for customers in their own value-creating processes. (Grönroos 2004, 102)

2.3 Customer loyalty

Oliver (1999, 33) defines loyalty as “a deeply held commitment to re-buy and re-patronise a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviours.”

Consumer loyalty and satisfaction are associated strongly with each other yet satisfaction itself does not interpret into loyalty. Satisfaction is a necessary step in forming loyalty however it becomes less important as loyalty progresses through personal determination (or fortitude), and social bonding at the institutional and personal level. (Oliver 1999, 33)

Egan (2001, 36) suggests (Figure 2) that it is impossible to discuss relationship without determining the concept of loyalty first. The phrase loyalty marketing is frequently used yet loosely since authors fail to define the meaning of the term. This results in a lack of consistency in the marketing literature. (Egan 2001, 36)

Reichheld (1993, 64) argues that customer loyalty is the key ambition for relationship marketing that is supported by many theories how organisations can benefit from having loyal customers. The benefits economically are considerable and in many industries the profitability among competitors.

Customer loyalty is essential for sustaining and growing business and thus banks need to reinforce and mend customer loyalty in order to succeed in short and long-term. (Albert 2011, 3)

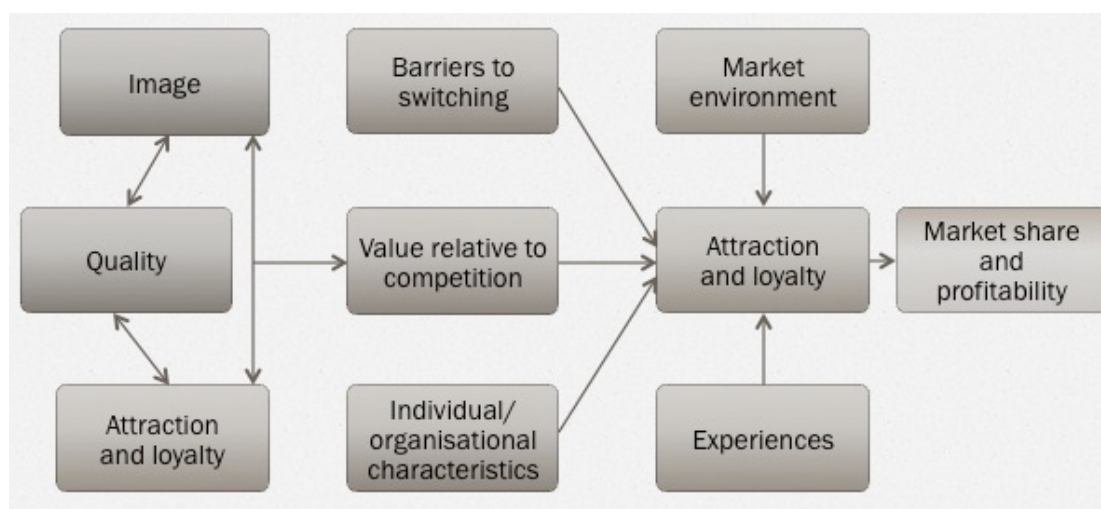


Figure 2: Customer loyalty: and integrated model (Egan 2001, 37)

Storbacka & Lehtinen (2001, 82) suggest that customer satisfaction does not necessarily guarantee loyalty and therefore studies have led to re-evaluating the assumed relationship be-

tween customer satisfaction and loyalty. Clearly loyalty is the end-result of many different bonds that can be structural and perceived by the customer. If companies wish to gain customer loyalty they need to determine the types of bonds that influence their customers' behaviour. Yet again there is indication that customer satisfaction varies greatly from industry to industry. (Storbacka & Lehtinen 2001, 83)

There are three factors that affect the strength of customer relationships: the customer's satisfaction with the relationship, the commitment and bonds between the customer and the company. Thus satisfaction alone is inadequate to form a strong relationship as shown in Figure 3. (Storbacka & Lehtinen 2001, 83-84)

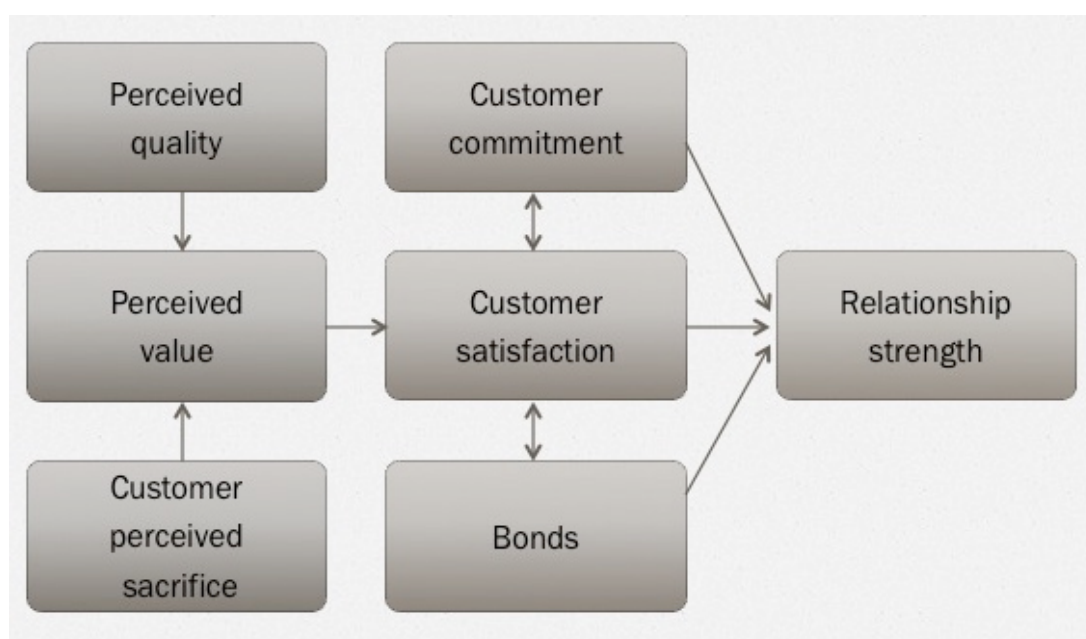


Figure 3: Factors contributing to relationship strength (Storbacka & Lehtinen 2001, 84)

However customer satisfaction is the only one factor that has an impact on the strength of a relationship. Other significant factors are the customer's commitment to the relationship and also bonds (as a result of activities, knowledge or emotion) that have been developed. (Storbacka & Lehtinen 2001, 84)

The relationship satisfaction also depends on the value that the customer feels he is receiving. The value is weighed when the customer compares the quality received from the relationship with the resource (financial, information or emotion) investments he has to make in order to develop the relationship. (Storbacka & Lehtinen 2001, 85)

2.4 Customer retention and employee satisfaction

The Boston based global management consulting firm Bain & Co.'s work suggests a strong link between employee satisfaction and customer retention: high customer retention leads to higher employee satisfaction. This results in employees finding it much easier to deal with satisfied customers rather than dissatisfied ones. The essential outcome is that the employee tends to stay longer with the company as shown in Figure 4. (Payne 1995, 46)

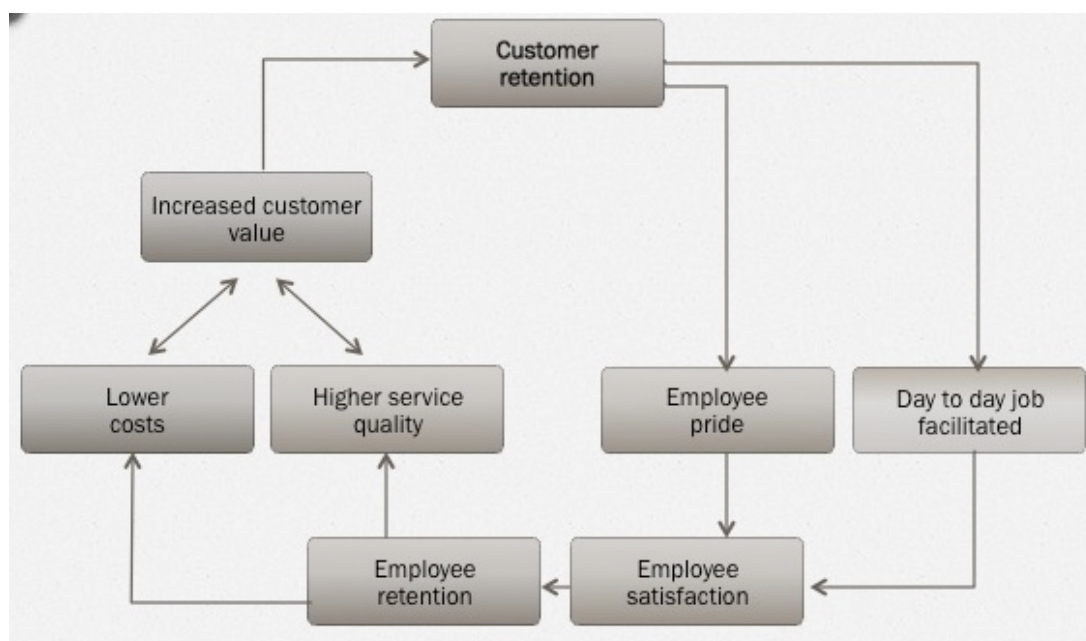


Figure 4: Link between employee satisfaction and customer retention (Payne 1995, 46)

There are many advantages in having long-term employees since they undoubtedly have the ability to form personal relationships with customers as well as understand their needs and anticipate the possibility of unhappy customers leaving the company. (Payne 1995, 47)

According to Albert (2011, 3) banks must first identify the specific features of the customer experience that drive loyalty, the key enhancers, in order to begin the customer retention process. The two most important key enhancers to focus on are “advocacy for customers” and “consistent, courteous and friendly communications” (Albert 2011, 3).

Albert (2011, 3) also points out that the route to success is to associate “a brand promise” of consistent approach towards customers with a staff that delivers the quality service promised. By identifying the key enhancers and “building (or rebuilding) a consumer-centric approach, the banking industry can begin to repair consumer confidence in their institutions and foster loyal customers” (Albert 2011, 3).

2.5 The leaky bucket theory and the ladder of loyalty

The focus for traditional marketing has been on creating new customers, titled as offensive marketing strategy as it includes acquiring new customers and attempting to attract dissatisfied customers away from competitors. (Egan 2001, 52)

Those companies that direct a large share of their marketing activity to winning new customers often experience the leaky bucket effect. These companies lose customers due to focusing too much on future customers rather than keeping existing ones happy. (Christopher, Payne & Ballantyne 2002, 47)

In order to succeed, the company must have a double-headed approach on marketing: the importance of keeping existing customers while keeping in mind that acquiring new customers is the basis for having any customers. (Egan 2001, 52)

In the ladder of loyalty, relationship marketing is identified in six stages of development. The objective is to move up the ladder different kind of customers branded as starting from bottom of the ladder: prospect, purchaser, client, supporter, advocate and partner. (Christopher et al. 2002, 48)

On the other hand, it is not necessary to progress a relationship with every customer according to the ladder of loyalty approach. The investment with some customers or segments is not always justified due to being costly. It is up to the manager to determine the lifetime value of a customer and whether it will be profitable enough to make the commitment. (Christopher et al. 2002, 49)

2.6 Summary of the theoretical approach

Loyalty is the foundation of the business. According to Egan (2001, 36), there is no relationship with the customer without loyalty. Reichheld (1993, 63) says the benefits economically of having loyal customers are considerable and are what makes the difference in profitability among business competitors.

According to Albert (2001, 3) customer loyalty is essential for sustaining and growing a business. In order to succeed short and long-term, customer loyalty needs to be reinforced or mended. It is most useful to offer a full service spectrum for customers. The one point of entry method works as the customer does not need to be in contact with multiple layers of client managers but with an appointed contact with each respective unit. Reichheld's theory (1993, 63) fits the purpose of this study.

Those businesses that are able to provide a proactive approach to the changing dynamics of the market in question and the ability to operate transparently have a competitive advantage worth valuing. (White 2011)

Egan (2001, 52) also says that there is danger of putting extensive effort on traditional offensive marketing, and the downside can be that the company is losing more customers compared to the effort put in marketing. Thus the leaky bucket theory suggests (Christopher, Payne & Ballantyne 2002, 47) putting effort for keeping existing customers happy in addition to new customer acquisitions.

Christopher et al. (2002, 49) also suggests that it is not always necessary to continue each relationship with a customer according to the ladder of loyalty approach, as the investment does not always succeed. The key is to determine the lifetime of the relationship and proceed accordingly.

2.6.1 Theoretical framework figure

The below image (Figure 5) represents the theoretical framework structured for this study.

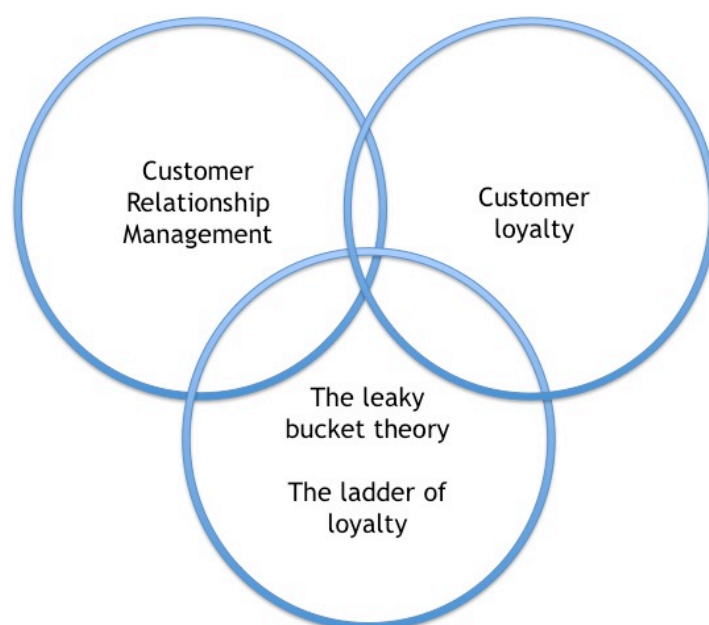


Figure 5: Theoretical framework figure

3 Research approach

Glenn (2001, 1) defines research as human activity built on intellectual application to the study of matter. The main purpose for applied research is discovering, interpreting and the

development of methods and systems for the benefit of human awareness. The research method can be scientific but not limited to it, as its purpose is to harness curiosity. (Glenn 2010, 1)

The following methods are considered when conducting a research.

3.1 Quantitative

Quantitative research concerns usage of new methods and quantitative measures to test hypothetical generalities: it highlights the measurement and analysis of connecting relationships between variables. (Golafshani 2003, 597)

There are many different research methods, and it is not any less when talking solely of qualitative methodologies as many quantitative methodologies can be used qualitatively. When considering the range and scope of qualitative methodologies, one needs to consider both the characteristics and purpose of these methodologies. (Carson, Gilmore, Perry & Gronhaug 2001, 61)

In quantitative research methodologies there is likely to be an emphasis on theory testing whereby existing theory will be tested in a specific research context. This is done by taking a theoretical concept and testing its validity in practice by using a controlled sample of appropriate companies. (Carson et al. 2001, 63)

Quantitative methodologies also cover objective precision in measuring outcomes. The key is to measure outcomes with meaningful statistical significance. Quantitative methodologies tie in the proven foundation of prior theory in order to generate theories to be tested i.e. hypotheses. (Carson et al. 2001, 63)

3.2 Qualitative

In contrast to the quantitative characteristics with research methodological characteristics, qualitative methodologies seek to build theory as a result of empirical insights. Thus the theory building phase is given explicit and careful attention. A prior theory may be used as a foundation and may be introduced at suitable stages throughout the research study. (Carson et al. 2001, 64)

Qualitative research uses a somewhat naturalistic approach for the purpose to recognise the phenomena in context-specific settings. It produces findings attained from real-world settings as opposed to quantitative researchers who aim to causal determination, predictability, and

generalisation of findings. Qualitative researchers instead aim to pursue illumination and understanding to similar situations. (Golafshani 2003, 600) Qualitative research can involve a wide selection of empirical resources such as a case study, personal experience, introspective, a life story etc. (Glenn 2010, 101)

3.2.1 Chosen approach

The chosen approach in this study is through a single case study based on personal experiences and perceptions as it fits best and serves the purpose. The experiences range over time and give out a vivid picture of the working environment. According to Carson et al. (2001, 94) a case-based research may be an explanatory research building on theory incorporating and describing ideas separate from the cases. It is particularly suitable for practical business situations (Carson et al. 2001, 95).

The experiences are mirrored through the theories that correspond and support them. The outcome can be utilised further in Nordea.

3.3 Validity and reliability

In quantitative approach, the results should be coherent over time. An accurate representation of the total population under study is referred to as reliability. If the results of a study can be reproduced under a similar methodology, the research instrument is considered to be reliable. (Golafshani 2003, 598)

In quantitative approach, validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. Commonly researchers establish validity with a series of questions, and utilise the research available. (Golafshani 2003, 599)

In qualitative approach, there have been argues whether the term validity is applicable. Yet there have been recognised a demand for a qualifying check or measure for the research. (Golafshani 2003, 600)

When reliability, validity, trustworthiness, quality and rigor are intended to differentiate a so-called good research from a bad research, testing and increasing these qualities will be important in any paradigm. (Golafshani 2003, 602)

3.3.1 Relevance to the study

Reliability of the study is verified in terms of validity and reliability. Validity can be measured according to the purpose of the study and how well it was met. However the reliability of the study is irrelevant due to the fact that the empirical part of the study is purely based on personal experiences and perceptions and cannot be repeated as such.

The end result is viewed as attractive for Nordea to be able to utilise the outcome for future references.

4 Empirical study

4.1 Introducing the case study bank

“Nordea's vision is to be a Great European bank, acknowledged for its people, creating superior value for customers and shareholders.” (Nordea facts and figures 2015)

The Scandinavian bank corporation Nordea has leading positions within corporate merchant banking and both retail and private banking and also has a lead in providing life and pensions products in the Nordic countries. Nordea has around 11 million customers (of which around 10 million are active household and around 0.5 million active corporate customers) and approximately 700 branch offices with over 29,000 employees. (Nordea facts and figures 2015)

Nordea has a leading net banking position and a total market capitalisation of EUR 38.9 billion, total assets of EUR 669.3 billion and a core tier 1 capital ratio of 15.7% (Q4 2014 results). Nordea is the largest financial services group in Northern Europe. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen. Nordea's Chairman of the Board is Björn Wahlroos and the President and Chief Executive Officer is Christian Clausen. (Nordea facts and figures 2015)

Nordea operates in eight home markets: the Nordic region including Denmark, Finland, Norway, Sweden and Baltic Sea region markets of Estonia, Latvia, Lithuania and Russia. (Nordea facts and figures 2014) Nordea's five largest registered shareholders are Sampo Plc (21.4%), Nordea Fonden (3.9%), Swedbank Robur Funds (3.4%) and Alecta (2.4%). (Nordea investor relations 2015)



Picture 1: Nordea's key motto visible in advertising (www.nordea.com)

4.1.1 The bank's history

Nordea's descends from some 300 banks founded from the 1820s forward. Through mergers the number decreased to 80 banks in the 1970s and to 30 banks in the 1980s. In the late 1990s there were only four key banks present to form a new bank group:

- Unibank in Denmark
- Merita Bank in Finland
- Christiania Bank og Kreditkasse in Norway
- Nordbanken in Sweden. (Nordea's formation 2013)

These four banks merged and all operations were incorporated to one brand name Nordea in December 2001. A few years after this Nordea's operations in the Baltic Region grew with a substantial size that made Nordea a noteworthy bank also in that region. (Nordea's formation 2013)

Nordea has also been a pioneer in development of e-banking service since the 1970s with contribution in the innovation of mobile banking and developing wireless services. (Aspara, Rajala & Tuunainen 2012, 58)

4.2 Nordea Securities Services

Securities Services is part of a larger unit that functions under Wholesale Banking, one of Nordea's three prime business areas. The other two areas are Retail Banking and Wealth Management. (Nordea Securities Services 2013)

Wholesale Banking that provides services and financial solutions via a pan-Nordic platform leads Nordea's largest corporate and institutional customers. The business area delivers its customers various products and services from corporate banking, cash management and trade finance services, investment banking and capital markets products. (Nordea Wholesale banking organisation 2015)

Nordea Bank's Securities Services provides tailor-made custody services for local and foreign investors dealing with Nordic, Baltic or global securities. Nordea is the leading services pro-

vider in the Nordic countries and Baltic Sea region with established banks in Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania and Poland. (Nordea Securities Services 2013)

4.2.1 The mission statement

In a statement on their nordea.com website, Nordea Securities Services considers themselves as a sustainable provider in regards to the size, commitment and presence needed to succeed also in the future in the evolving Nordic securities market. Nordea states to be actively involved in the re-shaping of the infrastructure in the Nordic region and to have a unique position in this respect and can thereby influence the changes to benefit their customers' interests. (Nordea Securities Services 2014)

As defined above, Nordea Securities Services has representation and active involvement in the market's important regulatory bodies and is continuously following up on legislative and other changes in the market.

4.2.2 Custody as a service

While developing with the sophisticated financial markets, the custody service today is beyond physical safekeeping. Today it is a complex range of information and banking services. In particular with the multi-tier structure of the industry, the service is provided by a variety of intermediaries. (European Central Bank 2007)

Custody is offered by an array of institutions, primarily by brokers, commercial banks and investment banks that provide specialised services for different customer segments. Additional services include settlement and asset servicing amongst other. Much of the work involves a custodian acting as an information intermediary, communicating between issuers and securities holders. While the investing customer could have performed the related work itself, it is more convenient for it to entrust these activities to a specialist. (European Central Bank 2007)

There are a number of local custodians in each market providing custody services. Banks providing custody services in multiple markets (through one service agreement with customers) are called global custodians. (European Central Bank 2007)

A sub-custodian is a bank or an institution utilised by a custodian to hold assets on its or its customer's behalf. Nordea Securities Services provides both sub-custody and global custody

services for local and foreign investors dealing with Nordic, Baltic or global securities (Nordea Securities Services 2014).

4.2.3 The bank's acknowledgements

Nordea Securities Services participates in major client satisfaction surveys from key publications in the market each year and has received excellent results consecutively. These publications include Global Custodian, Global Finance, Custody Risk (former International Custody & Fund Administration ICFA), Financial-i and Euromoney. (Nordea Securities Services 2013)

Nordea has been honoured with good results as top rated in the Global Custodian Magazine's Agent Bank Survey 2012 being acknowledged as the best Sub-Custodian Bank in Finland and Norway. (Global Custodian 2013)

In the Global Custodian Magazine's survey 2013 Nordea was acknowledged as Leading Top Rated provider in Denmark, Finland and Norway, and as Leading Commended in the Swedish market. (Global Custodian 2013)

Nordea has been also named the safest bank in the Nordic region by Global Finance who lists the world's 50 safest banks based on an evaluation of long-term credit ratings - from Moody's, Standard & Poor's and Fitch - and total assets of the 500 largest banks worldwide. In 2014 listing Nordea was ranked 21st and remains the highest-ranking Nordic bank. (Global Finance 2013)

With the aforesaid, there is proven material that Nordea has gained trust from its customers and has a strong reputation and position in the market.

4.2.4 Client relations at Securities Services

Through Nordic Relations Concept, Nordea offers one point of entry to custody services covering the Nordic and Baltic Sea region. The client is appointed a dedicated Nordic Client Relations Manager, who coordinates the Nordic Client Relations team designed to serve the customer. (Nordea Securities Services 2014)

4.2.5 The job description

The Client Relations team members have each the responsibility of client portfolios with foreign institutional clients. The job title includes the managers proactively taking care of their existing and potential clients as a primary contact person. They are responsible for develop-

ing and maintaining business relations and ensure that the service quality and profitability of the relationships are in line with current targets and guidelines. (Material from Nordea Bank)

The job also includes following up on the customer strategy annually, and whenever required, to make an operational action plan to secure the services agreed are provided. (Material from Nordea Bank)

The role furthermore includes regular client meetings and visits as well as keeping updated with local authorities and organisations in the market (stock exchanges, financial supervisory authorities etc.). And also to participate in internal projects to ensure that the customer's needs are taken fully into consideration when developing new products to offer. (Material from Nordea Bank)

The client relation managers are expected to establish professional relationships, and represent the unit while contributing to create a good reputation. Also updating on latest developments within the manager's area of expertise is a necessity. (Material from Nordea Bank)

The team consists of a number of local managers who are experts in their local market, and another set of managers taking care of the business on a Nordic level. (Material from Nordea Bank) Nordea combines pan-Nordic competence with local expertise and direct access to the relevant market information. (Nordea Securities Services 2014)

The academic requirements for these positions are having superior level in both spoken and written English including a Bachelor's Degree or higher. (Material from Nordea Bank)

4.2.6 Marketing the service

Marketing the custody product, as a service needs a different approach when compared to traditional marketing methods such as offensive marketing according to Egan's (2001, 52) theory mentioned earlier in chapter 2.5. The custody service is a smaller product offered side by side with other superior sized products and yet it has a detailed customer portfolio.

Even though the volumes are not vast corporate-wise, the product is worthwhile keeping as the customers are the same whatever the product is. The visibility of being in the market has its influence across the bank as well as from customers' point of view thus making it a desired position.

Marketing custody is supported by Nordea's approach to marketing by the previously mentioned leaky bucket theory. Nordea Securities Services has had printed marketing in respec-

tive magazines in the field such as Custody Risk and Global Custodian. This approach builds and fortifies the image Nordea wants to give to its customers, as the service offered is tailor-made and thus made to measure for each client respectively.

Nordea's competitors (kept anonymous due to confidentiality) in the field have been known to have different approach to marketing campaigns as opposed to Nordea, but there is no data available of how successful the competitive campaigns have been.

Securities Services



Picture 2: The custody advertisement (www.nordea.com)

Brand marketing as such increases client loyalty and this is seen as a 'win-win situation' for both Nordea and the client. The so-called humble approach towards advertising campaigns fortifies the image Nordea wants it to be seen by its clients: long-lasting bank with a steady history through the challenging economical times (Picture 2). The slogan "custody services with a broader horizon" pointing to a larger scale view on custodian services and keeping in mind globalisation and the changing atmosphere in the market.

4.3 SWOT analysis of Securities Services

A business policy framework known by its acronym SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis is about assessing an organisation's internal capabilities and capability gaps (strengths and weaknesses) and matching these to the external environmental conditions (opportunities and threats). (Malhotra 2004, 228)

The following SWOT analysis (Figure 6) is solely based on the author's opinion, experience and perception of Nordea Bank. The analysis is created for Nordea Securities Services' brand image, as opposed to the corporate entity Nordea Bank AB (publ).

Strengths <ul style="list-style-type: none"> - Well known actor in the Nordics - Loyalty from long-term customers - Long and steady history through mergers - Management's role and visibility through opinion leading 	Weaknesses <ul style="list-style-type: none"> - Taking customers for granted - Humble approach to marketing when compared to competitors - Underestimating potential from marketing's point of view
Opportunities <ul style="list-style-type: none"> - Streamlines organisation - Ability to adjust to market changes - Developing through training: Client Service Academy - Leadership towards staff as competitive advantage 	Threats <ul style="list-style-type: none"> - Current market situation - New generation cloud services and disruptive technology - Limited recognition on global scale

Figure 6: SWOT analysis of Nordea Securities Services

4.3.1 Strengths

Nordea Securities Services' strength is being well-known actor in the Nordics. Many people recognize the brand as a large actor in the Nordics, and this creates credibility and trust among customers.

Another strength is loyalty from long-term customers that have been gathered over time. Nordea has a long and steady history through prudently made mergers and acquisitions. Nordea's managements' role in the media is visible through opinion leading due to the afore-said reasons. This keeps the communication on-going and Nordea's brand in the media.

4.3.2 Weaknesses

Nordea Securities Services' weaknesses are possibly taking the customer for granted and settling in with the thought that the customer will continue to be a loyal customer. Retaining the existing customers and keeping them satisfied needs constant care and proactive communication when needed.

With the current market situation, staff reduction is familiar to many companies. In some cases it might be useful to consider if the reduction might weaken customer satisfaction and create apprehension among the customers. Instead of reducing staff based of cost efficiency, employees who are able to retain existing customers in a cost efficient way should be kept in the staff for the benefit of the entire department.

The weaknesses include having a humble approach to marketing when compared with competitors. And also possibly underestimating the potential in marketing's point of view due to being a Nordic bank. Nordea's competition has been known to have very colourful advertising, which does not necessarily lead to a vast and vivid customer portfolio.

4.3.3 Opportunities

Nordea Securities Services' opportunities are in having a streamlined organisation as a result of staff decrease. Thus Nordea has ability to adjust to market changes and constantly reinventing itself. Securities Services have development through training, as the management has introduced a Client Service Academy dedicated to enhancing the client relationships. Nordea has also an opportunity to improve leadership towards staff that can be seen as competitive advantage.

4.3.4 Threats

Nordea Securities Services' threats are as every other bank's at the moment, due to the current economy situation in the market. Threats can also lie in breakthrough technology such as offering new generation cloud services and other disruptive technologies to improve the service.

Nordea has always had recognition in the Nordics while limited distinguishing in global scale where lies the potential threat. Yet there is room to consider whether there is need for global recognition, if only the brand is visible and distinguishable in the home markets.

Nordman (2004, 178) captures the above analysis as "the images of banks are strong and deeply rooted, and seem to differentiate between banks more effectively than the financial services themselves". The image of a bank is closely related to the size of it. The most important challenge for a large bank is to adopt an image of service-mindedness as well as being up close and personal with the customer. Due to the large size of the bank the image is easier to perceive also as stable and trustworthy. (Nordman 2004, 178)

In Nordea's case it has seemed to adopt the above criteria and used it beneficially on its brand image.

4.4 Findings

On the basis of study results, loyalty is and will be a key element in customer retention. As stated in the beginning of the study, a company's long-term relationship with customers is at

risk if it cannot keep their loyalty. Analysing customers' changing needs and adjusting to them is vital in building those relationships that last for a lifetime.

From relationship management's point of view, the ability to manage additional elements of the company's offering better than its competitors, is what creates value for customers in their own value-creating processes. Nordea Securities Services has many service offerings with appointed one point of entry contacts, who are mandated to reflect all new developments both externally and internally for the customer's benefit.

The constant evolvement keeps the customers aware of the market and shows that the company is proactive with their service offering and wants the customer to have all the information available. By doing this better than competitors, it also increases in value for the customers' own processes.

As pointed before, consumer satisfaction does not automatically lead to loyalty, even though there is a strong link between them. However satisfaction is essential in progressing it to loyalty through personal determination and social bonding at both institutional and personal level. This is where a client relations manager's job becomes valuable.

Loyalty is also a key in relationship marketing as it is supported by various theories on how companies benefit greatly from loyal customers economically. It is also an advantage with the competition as it increases profitability. As pointed before, Nordea Securities Services' clientele is not vast but of considerable volume and therefore valuable to keep close as loyal customers.

According to the theories on marketing, putting unnecessary energy towards marketing campaigns may risk the loss of customers more than the benefit gained from it. Even though a more humble marketing approach may not benefit as much, but one has to keep in mind that effort should be put also for keeping existing customers happy.

It is also essential to keep in mind that having loyal employees who certainly have advanced a talent of forming personal relationships with customers, and at the same time developed an ability to foresee when customers are possibly making an unwanted decision of ending the business relationship. Long-term employees anticipate the customers' movements since they are familiar with them through the long-lasting relationship and understand their wants and needs.

The qualities that drive loyalty from the customer's perspective must be defined for the sake of customer retention. A brand promise with consistent approach towards the customer should be made that will deliver a quality service and keep customers loyal.

5 Conclusions and recommendations

As stated in the beginning of this study, the banking industry has gone through several changes and still keeps going through them as the financial markets have been adapting to the perhaps volatile situation that has grown into a New Normal. Customer retention is and will be a key driver in keeping existing customers and making them feel valuable.

If one cannot keep loyal customers, one is not able to secure the business, which may result in a potentially unstable long-term relationship. Adapting to customers' changing needs can succeed in building relationships for a lifetime. As mentioned earlier, marketing is at its most simple about understanding customer's needs and wants.

The purpose of this thesis in mapping out Nordea Bank's Securities Services' client relationship management and giving ideas to enhance it by observing the relationship management through different theories was met with correspondence to various theories and personal experiences.

The key element in finding out how existing customers can be taken care of and how to improve the relationship even better through different theories was met with the theories of customer loyalty.

Even though the study is based on personal experiences and perceptions, the study could be advanced into observing more detailed the customer relationships where possible. Taking a moderate sized survey with a handful of customers from various sized companies in order to reach a vivid sample could do this. The survey does not need to be extensive as long as there are plenty of results to be used.

The outcome could benefit Nordea greatly with opinion coming straight from the customer, as opposed to the annual surveys organised by the magazines in the field. These surveys do not highlight written feedback but rather give out more of a quantitative analysis of the clientele. While the number of customers is not vast, they are still large institutional investors and all together form a substantial amount in all four Nordic markets and thus make for an interesting survey.

5.1.1 Actions initiated

Since this thesis was initiated, there have been some organisational changes overall in Nordea Bank including the Securities Services unit. In addition the management has introduced a project with the title Client Service Academy that is aimed to educate employees within Securities Services on how to deliver value-adding services for customers. The programme has been running since and the overall theme is 'Service as a competitive advantage'.

5.2 Managerial implications and recommendations

The points mentioned in the SWOT analysis may be considered with the management for future reference. These include having a more robust approach towards marketing the bank as well as the service when compared to the competitors' methods. The humble approach may be winning in some customers with its modest tactic still pointing towards loyalty and long-standing commitment. However with the current economic times, it may very well need more than just that to persuade the rest of the potential customers.

For the purpose of managerial implications, one suggestion could be to adjust the results management by adding a specific payment-by-result factor. This could include an added bonus when there is success in retaining existing customers in addition to bringing new ones. This would highlight the perks of customer retention for employees as well. The payment by result is an encouraging way to work and it gives boost to work motivation as well. The motivation certainly results in long-term loyalty also from the employees to their employer.

The actions in adjusting to the changing economic market have obviously been started including adapting to customers' needs with the already initiated Client Service Academy. Nordea has been pointing in the right direction with streamlined services and keeping loyal customers pleased. The times have been tough in the market, but Nordea seems to have been resilient to stay in the top league within its home market the Nordics.

5.2.1 Theoretical linkages

From the perspective of theoretical linkages, the chosen theories correspond well with the nature of the study and how it is executed. The outcome can be further developed with auxiliary theories, if conducting a survey would be put in to action.

The theories mentioned in this study are relevant to Nordea Securities Services and they merge the empirical study with the theoretical part in order to understand the present situation and state. This can be utilised for future goals and objectives there may be to reach.

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